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TO USMISSION USUN NEW YORK IMMEDIATE

C O N F I D E N T I A L STATE 205897

NODIS

FOLLOWING TEL SENT ACTION USDEL SECRETARY FROM SECSTATE RPTD

TO YOU:

QUOTE:

C O N F I D E N T I A L STATE 205897 TOSEC 100298

NODIS

E.O. 11652: GDS

TAGS: PFOR, EGEN, UNGA

SUBJECT: SECRETARY'S UNGA SPEECH: "ECONOMIC GROWTH"

SECTION -- FURTHER REVISIONS TO CHANGES IN

DRAFT NR. 8

FOR LORD FROM ENDERS AND LEWIS

1. FOLLOWING IS NEW TEXT OF LAST PORTION OF ECONOMIC
GROWTH SECTION, CONCENTRATING ON TRANSNATIONAL ENTER-
PRISES.

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31. WE ARE ALSO PREPARED TO JOIN IN CONSIDERING THE

ESTABLISHMENT OF AN INTERNATIONAL CENTER FOR THE EXCHANGE

OF TECHNOLOGICAL INFORMATION -- A CLEARING HOUSE TO HELP

INDIVIDUALS AND INSTITUTIONS SHARE THEIR KNOWLEDGE OF
ONGOING RESEARCH AND NEW FINDINGS RELEVANT TO PARTICULAR
DEVELOPING-COUNTRY NEEDS. WE WILL EXPAND OUR BILATERAL
PROGRAMS IN SUPPORT OF INDUSTRIAL TECHNOLOGY APPROPRIATE
TO DEVELOPING COUNTRY REQUIREMENTS. WE SHALL CONTINUE
TO PARTICIPATE ACTIVELY IN THE PREPARATION OF GUIDELINES
FOR THE TRANSFER OF TECHNOLOGY AND IN THE PLANNING FOR
A CONFERENCE ON SCIENCE AND TECHNOLOGY FOR DEVELOPMENT
UNDER UNITED NATIONS AUSPICES.

32. THESE PRIORITY EFFORTS WHICH I HAVE OUTLINED CAN
PROVIDE A NEW AND VALUABLE STIMULUS TO COOPERATION
BETWEEN INDUSTRIAL AND DEVELOPING COUNTRIES IN ADVANCING
TOWARD THE GOAL OF TECHNOLOGICAL GROWTH CONSISTENT WITH
LOCAL NEEDS AND INTERNATIONAL CAPABILITIES.

33. IF WE ARE TO PROVIDE NEW FUNDS AND NEW TECHNOLOGY,
AND IF PRIVATE SOURCES OF CAPITAL AND SKILLS ARE ESSENTIAL
TO SUPPLEMENT OFFICIAL ASSISTANCE, THEN IT IS TIME TO
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ESTABLISH AN ACCEPTABLE ENVIRONMENT FOR PRIVATE
TRANSNATIONAL ENTERPRISES.

34. IN THE GLOBAL EFFORT TO ACCELERATE THE GROWTH OF
DEVELOPING COUNTRIES, MANAGEMENT IS AN ESSENTIAL
COMPLEMENT TO TECHNOLOGY IN ENERGY, INDUSTRY AND AGRICUL-
TURE. TRANSNATIONAL ENTERPRISES HAVE BEEN POWERFUL IN-
STRUMENTS OF MODERNIZATION BOTH IN THE INDUSTRIAL NATIONS
-- WHERE THEY CONDUCT MOST OF THEIR OPERATIONS -- AND IN

THE DEVELOPING COUNTRIES, WHERE THERE IS OFTEN NO SUBSTITUTE FOR THEIR ABILITY TO MARSHAL CAPITAL, MANAGEMENT SKILLS, TECHNOLOGY, AND INITIATIVE NEEDED FOR SUCCESSFUL DEVELOPMENT. THUS THE CONTROVERSY OVER THEIR ROLE AND CONDUCT IS ITSELF AN OBSTACLE TO ECONOMIC DEVELOPMENT. IT IS TIME TO ADDRESS THE PROBLEMS, REAL AND PERCEIVED, THAT HAVE ARISEN.

35. WILL WE SOLVE THESE PROBLEMS BY RHETORIC, OR BY RESPONDING TO REALITY -- BY IDEOLOGY AND DOCTRINE, OR BE RECOGNIZING THAT WE ALL HAVE A STAKE IN UTILIZING A MOST EFFECTIVE INSTRUMENT OF DEVELOPMENT? IF THE WORLD COMMUNITY REACHES NO CONSENSUS ON THE PROPER ROLE FOR CORPORATE ENTERPRISE, WE ALL WILL SUFFER -- BUT THE
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INDUSTRIAL COUNTRIES WILL NOT SUFFER MOST. LET US MAKE THIS ISSUE A TEST OF OUR CAPACITY TO ACCOMMODATE MUTUAL CONCERNS IN PRACTICAL AGREEMENT.

35A. WE SEEK A MORE STABLE, AMICABLE ENVIRONMENT FOR THE FLOW OF CAPITAL, TECHNOLOGY, AND MANAGERIAL SKILLS SO VITAL TO ECONOMIC DEVELOPMENT. THE PRIVATE TRANS-NATIONAL ENTERPRISE CAN PLAY ITS ROLE MOST EFFECTIVELY BY UTILIZING THE FULL SPECTRUM OF COOPERATION ARRANGEMENTS WITH HOST COUNTRIES. WHOLLY-OWNED SUBSIDIARIES, MANAGEMENT CONTRACTS, SERVICE AGREEMENTS, JOINT VENTURES -- EACH HAS ITS ROLE TO PLAY.

36. FOR OUR PART, THE UNITED STATES IS PREPARED TO MEET

THE PROPER CONCERNS OF GOVERNMENTS IN WHOSE TERRITORIES
TRANSNATIONAL ENTERPRISES OPERATE. WE AFFIRM THAT ENTER-
PRISES MUST ACT IN FULL ACCORDANCE WITH THE SOVEREIGN
RIGHTS, AND TAKE FULL ACCOUNT OF THE PUBLIC POLICY, OF
HOST GOVERNMENTS. IT IS OBVIOUS THAT COUNTRIES ARE
ENTITLED TO ENACT REGULATIONS GOVERNING THE OPERATIONS
OF TRANSNATIONAL ENTERPRISES WITHIN THEIR BORDERS. BUT
THOSE GOVERNMENTS THAT WISH THE BENEFITS OF THESE
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ENTERPRISES MUST FOSTER THE CONDITIONS THAT ATTRACT AND
MAINTAIN THEM.

37. SURELY WE CAN ALL AGREE THAT CERTAIN PATTERNS OF
BEHAVIOR ARE NOT TOLERABLE. WHATEVER THE REASONS,
VENALITY AND CORRUPTION CANNOT BE CONDONED BY HOST
COUNTRIES, BY HOME COUNTRIES, OR BY ENTERPRISES. BUT
WE CANNOT SIMPLY REACT DISJOINTEDLY AND IMPULSIVELY
TO SPECIFIC ABUSES BY PUBLIC OR PRIVATE PARTIES.

38. THE UNITED STATES BELIEVES THAT THE TIME HAS COME
FOR THE INTERNATIONAL COMMUNITY AS A WHOLE TO ARTICULATE
COMPREHENSIVE STANDARDS OF CONDUCT FOR BOTH ENTERPRISES
AND GOVERNMENTS. THE UNITED STATES WILL WORK WITHIN THE
UN COMMISSION ON TRANSNATIONAL CORPORATIONS AND OTHER
INTERNATIONAL BODIES TO
DEVELOP A BODY OF BALANCED PRINCIPLES TO GUIDE ENTER- '
PRISES AND GOVERNMENTS IN THEIR MUTUAL RELATIONS. THESE
SHOULD APPLY TO TRANSNATIONAL ENTERPRISES IN THEIR

RELATIONS WITH GOVERNMENTS, AND TO GOVERNMENTS IN THEIR
RELATIONS WITH TRANSNATIONAL ENTERPRISES AND WITH OTHER
GOVERNMENTS.

39. A STATEMENT OF PRINCIPLES WHICH FAILS TO REFLECT
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FAIRLY THE INTERESTS OF ALL PARTIES -- HOST COUNTRIES,
HOME COUNTRIES, AND ENTERPRISES -- WOULD EXACERBATE
RATHER THAN MODERATE THE FRICTIONS WHICH HAVE DAMAGED
THE ENVIRONMENT FOR INTERNATIONAL INVESTMENT.
THE FLOW OF CAPITAL AND THE QUALITY OF MANAGED TECH-
NOLOGY AVAILABLE TO DEVELOPING COUNTRIES WOULD DECLINE
AND THEIR ECONOMIC GROWTH FALTER. OUR PRINCIPLES OF
CONDUCT MUST BE BASED ON CONSENSUS OR THEY WILL FAIL.

40. SPECIFICALLY, IN OUR VIEW,

-- AGREED GUIDELINES OUGHT TO CALL UPON TRANSNATIONAL
ENTERPRISES TO OBEY LOCAL LAW AND TO REFRAIN FROM INTER-
VENING IN THE DOMESTIC AFFAIRS OF THE HOST STATE.

-- FURTHERMORE, ENTERPRISES SHOULD TAKE ACCOUNT OF
NATIONAL DEVELOPMENT PRIORITIES AND RESPECT LOCAL
CULTURE IN THEIR ACTIVITIES AND IN THEIR RELATIONSHIPS
WITH HOST GOVERNMENTS. ENTERPRISES SHOULD EMPLOY
QUALIFIED LOCAL PERSONNEL OR QUALIFY LOCAL PEOPLE THROUGH
TRAINING.

-- HOST COUNTRIES IN TURN OUGHT TO TREAT TRANSNATIONAL
ENTERPRISES EQUITABLY, WITHOUT DISCRIMINATION AMONG
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THEM, AND IN ACCORDANCE WITH INTERNATIONAL LAW. HOST
GOVERNMENTS AND ENTERPRISES EQUALLY SHOULD OBSERVE
CONTRACTS INTO WHICH THEY FREELY ENTER.
HOST GOVERNMENTS SHOULD MAKE EXPLICIT THEIR DEVELOP-
MENT PRIORITIES AND THE STANDARDS WHICH TRANSNATIONAL
ENTERPRISES ARE EXPECTED TO MEET, AND MAINTAIN THEM WITH
REASONABLE CONSISTENCY.

-- PRINCIPLES ESTABLISHED FOR TRANSNATIONAL ENTERPRISES
SHOULD, WITH SPECIFICALLY LIMITED EXCEPTIONS, APPLY
EQUALLY TO DOMESTIC ENTERPRISES THAT SATISFY SIMILAR
CRITERIA. PRINCIPLES SHOULD BE ADDRESSED NOT ONLY TO
PRIVATELY-OWNED TRANSNATIONAL ENTERPRISES BUT ALSO TO
STATE-OWNED AND MIXED TRANSNATIONAL ENTERPRISES, WHICH
ARE INCREASINGLY IMPORTANT IN THE WORLD ECONOMY.

41. BUT A STATEMENT OF PRINCIPLES IS NOT THE ONLY, NOR
NECESSARILY THE BEST, MEANS OF RESOLVING MANY OF THE
PROBLEMS AFFECTING TRANSNATIONAL ENTERPRISES. WE MUST
DEVELOP OTHERS:

-- HARMONIZATION OF TAX TREATMENT OF FOREIGN INVEST-
MENT. IN THIS REGARD, INTERNATIONAL TAX TREATIES ARE
USEFUL INSTRUMENTS, HELPFUL IN DEALING WITH SUCH CON-
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TENTIOUS SUBJECTS AS TRANSFER PRICING. WITHOUT COORDIN-
ATION, HOST- AND HOME-COUNTRY POLICIES MAY SQUEEZE NEEDED
ENTERPRISES OUT OF OPERATION.

-- APPLICATION OF FACT-FINDING AND ARBITRAL PROCEDURES

THAT CAN BE EMPLOYED FOR SETTling INVESTMENT DISPUTES

WHICH THE PARTIES OTHERWISE FIND INTRACTABLE.

THE WORLD BANK'S INTERNATIONAL CENTRE FOR THE SETTLE-

MENT OF INVESTMENT DISPUTES AND OTHER THIRD-PARTY

FACILITIES SHOULD BE ENLISTED IN THIS EFFORT.

-- DEVELOPMENT, ENFORCEMENT, AND COORDINATION OF LAWS

REGARDING RESTRICTIVE BUSINESS PRACTICES. THE UNITED

STATES GOVERNMENT HAS LONG BEEN VIGILANT AGAINST SUCH

ABUSES, BE THEY IN TRADE, IN MERGERS, OR IN LICENSING OF

TECHNOLOGY. OUR INTERNATIONAL STANCE IS CONSISTENT WITH

OUR DOMESTIC POLICY: WE CONDEMN THESE PRACTICES,

WHETHER PERPETRATED BY PRIVATE OR STATE-OWNED TRANS-

NATIONAL ENTERPRISES OR BY NATIONAL GOVERNMENTS IN

COLLUSIVELY SETTING PRICES OR RESTRICTING SUPPLIES.

-- PROVISION OF MULTILATERAL INSURANCE PROGRAMS FOR

FOREIGN PRIVATE INVESTORS THAT INCLUDES FINANCIAL

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PARTICIPATION, HOWEVER MODEST, BY DEVELOPING COUNTRIES,

TO REFLECT OUR MUTUAL STAKE IN ENCOURAGING FOREIGN

INVESTMENT IN THE SERVICE OF DEVELOPMENT.

-- FINALLY, INCREASED USE OF INTERGOVERNMENTAL CONSUL-

TATION, TO IDENTIFY AND RESOLVE DISPUTES BEFORE THEY

BECOME POLITICAL IRRITANTS.

42. THE INTERNATIONAL EFFORT FOR ECONOMIC DEVELOPMENT

CANNOT AFFORD TO TREAT TRANSNATIONAL ENTERPRISES AS

OBJECTS OF ECONOMIC WARFARE. THE UNITED STATES BELIEVES

THAT JUST SOLUTIONS ARE ACHIEVABLE. THE CAPACITY OF
NATIONS TO DEAL WITH THESE COMPLEX PROBLEMS CONSTRUCTIVELY
WILL BE AN IMPORTANT TEST OF WHETHER THE SEARCH FOR
COMMON SOLUTIONS OR THE CLASH OF IDEOLOGIES WILL DOMINATE
OUR ECONOMIC FUTURE. THE IMPLICATIONS FOR ECONOMIC
DEVELOPMENT ARE PROFOUND. INGERSOLL UNQUOTE
INGERSOLL

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